

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 INRE-00 NSCE-00 ICAE-00
AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-10
NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 SS-15 STR-07 CEA-01 DOE-15 SOE-02
DOEE-00 /092 W

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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 7162
ALL CONGENS IN CANADA POUCH

C O N F I D E N T I A L OTTAWA 02084

PASS TO DOE/IA FOR DON ALBERT; DOE/FERC FOR JOHN ADGER

E.O. 11652: GDS
TAGS: ENRG, ETRD, CA
SUBJECT: ALASKA HIGHWAY GAS PIPELINE: FOOTHILLS MAY
NEGOTIATE PIPE CONTRACTS WITH CANADIAN STEEL COMPANIES

REF: OTTAWA 857

1. FOOTHILLS PIPE LINES (YUKON) LTD. CHIEF EXECUTIVE
OFFICER ROBERT BLAIR REPORTEDLY IS CONSIDERING NEGOTIATION
OF SUPPLY CONTRACTS WITH CANADIAN STEEL FIRMS FOR CANADIAN
SEGMENTS OF ALASKA HIGHWAY GAS PIPELINE INSTEAD OF CALLING
FOR INTERNATIONAL BIDS. ACCORDING TO PRESS REPORTS,
FOOTHILLS WOULD NEGOTIATE SHARING OF PIPE ORDER BETWEEN
DOMESTIC SUPPLIERS, CHIEFLY STEEL CO. OF CANADA LTD.
(STELCO), TORONTO, AND INTERPROVINCIAL STEEL AND PIPE
CORP. LTD. (IPSCO), REGINA. DECISION WHETHER TO
NEGOTIATE CONTRACTS OR OPEN COMPETITIVE BIDDING WOULD BE
MADE SOON, POSSIBLY WITHIN WEEKS.

2. NEGOTIATIONS COULD START LATER THIS YEAR, WITH STELCO
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AND IPSCO SUPPLYING TEST RUNS FOR BURST TESTING AND FROST
HEAVE PREVENTION EXPERIMENTS NEXT YEAR. FOOTHILLS IS
PROCEEDING WITH PLANS TO BURST TEST SOON, ASSUMING
AGREEMENT REACHED BETWEEN U.S. AND CANADA ON AMENDMENT OF
FILED CAPITAL COST TO INCLUDE 56-INCH PIPE. ONLY 56-INCH
PIPE WOULD BE TESTED. FROST HEAVE TESTS WILL BE CONDUCTED
JOINTLY WITH NORTHWEST PIPELINES IN ALASKA BECAUSE THERE

ARE NO SUITABLE DISCONTINUOUS PERMAFROST SITES IN YUKON TERRITORY.

3. COMMENT: IF FOOTHILLS DECIDES IN FAVOR OF NEGOTIATING CONTRACTS WITH DOMESTIC FIRMS, MOVE WILL PARALLEL GOC EFFORTS TO ASSURE THAT JAPANESE, GERMAN AND ITALIAN FIRMS WILL NOT DUMP STEEL IN CANADA FOR ALASKAN GAS PIPELINE OR OTHER LARGE-SCALE PROJECTS (SEE REFTEL). BLAIR MAY BE INDULGING IN POLITICALLY-MOTIVATED OVERKILL THOUGH. RECENT SUBSTANTIAL DECLINE OF CANADIAN DOLLAR RELATIVE TO JAPANESE OR EUROPEAN CURRENCIES -- DEVALUATION TWICE THAT OF U.S. DOLLAR IN RELATION TO THESE CURRENCIES -- AND HIGHER COST OF TRANSPORTING FOREIGN PIPE VIRTUALLY ELIMINATES COMPETITION FROM POTENTIAL OFFSHORE SUPPLIERS. IT IS AN ELECTION YEAR, HOWEVER, AND BLAIR MAY HAVE BEEN PERSUADED BY LIBERAL CABINET TO TAKE THIS ADDED PRECAUTION TO COUNTER CONTINUING NEW DEMOCRATIC PARTY (NDP) CHARGES THAT PIPELINE LEGISLATION DOES NOT PROTECT CANADIAN STEEL PRODUCERS FROM UNFAIR EUROPEAN AND JAPANESE COMPETITION. NDP HAS BEEN CAMPAIGNING ON THIS LINE IN SOUTHERN ONTARIO STEEL-MAKING TOWNS, AND VOTING IN TORONTO AND SOUTHERN ONTARIO WILL BE CRITICAL TO OUTCOME OF ANTICIPATED ELECTION. ENDERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, HIGHWAYS, PETROLEUM PIPELINES, CONTRACTS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978OTTAWA02084
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780171-0658
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780431/aaaaazqv.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9b13efa9-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 OTTAWA 857
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2892065
Secure: OPEN
Status: NATIVE
Subject: ALASKA HIGHWAY GAS PIPELINE: FOOTHILLS MAY NEGOTIATE PIPE CONTRACTS WITH CANADIAN STEEL COMPANIES
TAGS: ENRG, ETRD, CA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/9b13efa9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014